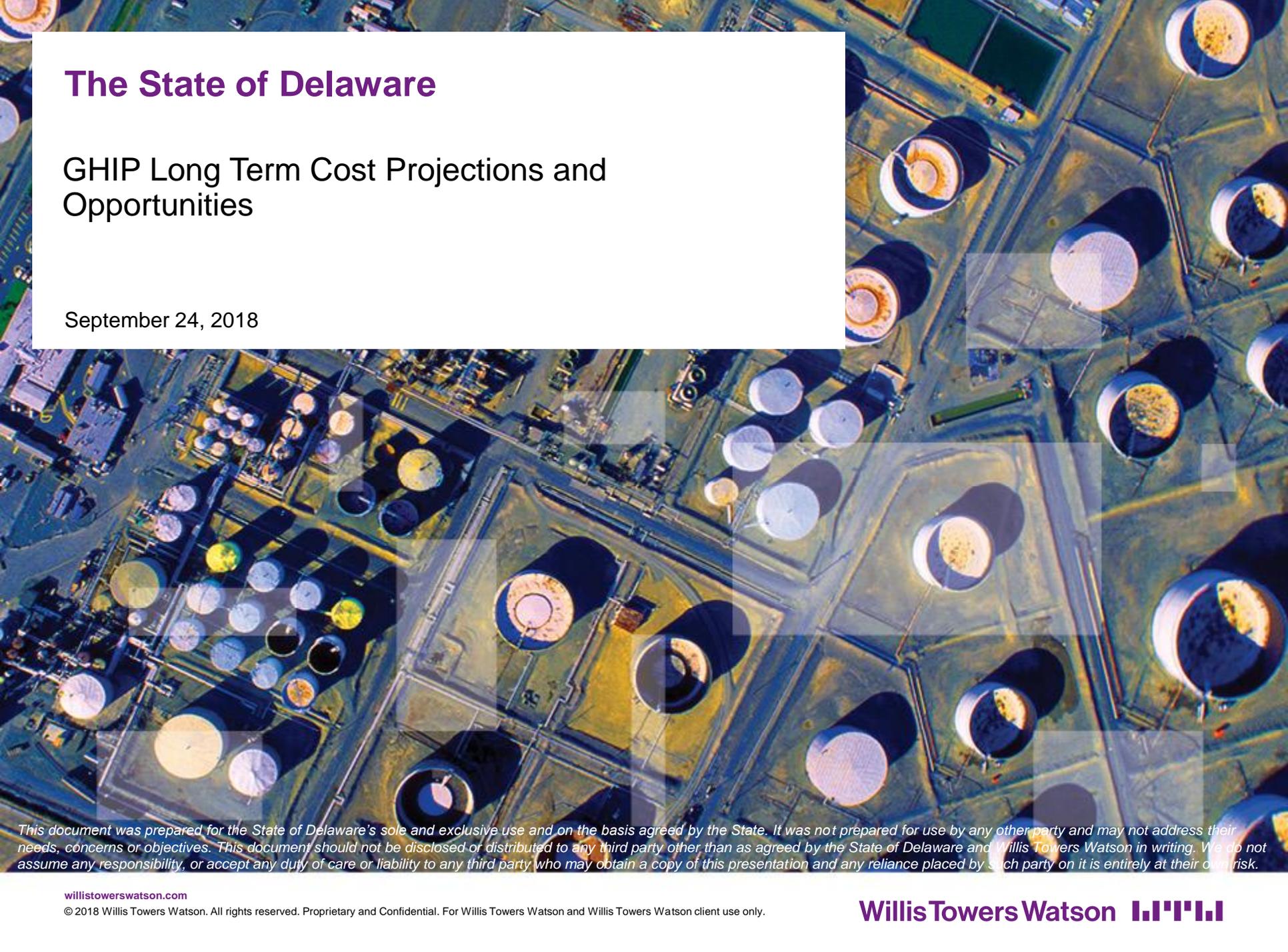


# The State of Delaware

## GHIP Long Term Cost Projections and Opportunities

September 24, 2018



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## GHIP long term health care cost projections

- Absent program changes or premium increases, GHIP operating expenses are projected to exceed operating revenue by \$68.3m in FY20, yielding a \$31.6M deficit after offsetting projected reserves
  - Cost projections are based on claims experience through June 2018 and assume 2% annual growth in GHIP membership starting FY20
  - Cost projections also reflect the GHIP financial impact of legislative bills (\$2.4m increase to FY20 projection)
- Increasing premiums by 2% effective 7/1/2019 reduces the projected FY20 operating deficit by \$16.7M to \$51.6M, yielding a \$14.9M deficit after offsetting projected reserves
  - Annual premium increases in each subsequent fiscal year further improve the long term financial outlook

# GHIP long term health care cost projections

Based on final FY19 budget<sup>1</sup> with experience through FY18 Q4 (5% trend assumption FY20)

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected	FY20 Projected <sup>6</sup>	FY21 Projected <sup>6</sup>	FY22 Projected <sup>6</sup>	FY23 Projected <sup>6</sup>
Average Enrolled Members	123,132	125,488	127,350	129,897	132,495	135,145	137,848
<b>GHIP Revenue</b>							
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$799.0	\$810.9	\$817.1	\$833.4	\$850.1	\$867.1	\$884.4
Other Revenues <sup>3</sup>	\$81.6	\$92.1	\$91.7	\$98.0	\$105.0	\$112.5	\$120.5
<b>Total Operating Revenues</b>	<b>\$880.6</b>	<b>\$903.0</b>	<b>\$908.8</b>	<b>\$931.4</b>	<b>\$955.1</b>	<b>\$979.6</b>	<b>\$1,004.9</b>
<b>GHIP Expenses (Claims/Fees)</b>							
Operating Expenses (No Change)	\$816.8	\$853.9	\$932.1	\$999.7	\$1,070.7	\$1,146.7	\$1,228.1
% Change Per Member		2.6%	7.6%	5.0%	5.0%	5.0%	5.0%
Excise Tax Liability <sup>4</sup>						\$9.1	\$16.3
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$63.8</b>	<b>\$49.1</b>	<b>(\$23.3)</b>	<b>(\$68.3)</b>	<b>(\$115.6)</b>	<b>(\$176.2)</b>	<b>(\$239.5)</b>
Balance Forward	\$38.9	\$102.7	\$151.8	\$128.5	\$60.2	(\$55.4)	(\$231.6)
Ending Balance	\$102.7	\$151.8	\$128.5	\$60.2	(\$55.4)	(\$231.6)	(\$471.1)
- Less Claims Liability <sup>5</sup>	\$54.0	\$58.9	\$61.3	\$65.7	\$70.4	\$75.4	\$80.8
- Less Minimum Reserve <sup>6</sup>	\$24.0	\$24.0	\$24.3	\$26.1	\$28.0	\$30.0	\$32.1
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$24.7</b>	<b>\$68.9</b>	<b>\$42.9</b>	<b>(\$31.6)</b>	<b>(\$153.8)</b>	<b>(\$337.0)</b>	<b>(\$584.0)</b>

Note: FY17 Actual based on final June 2017 Fund Equity report; FY18 Actual based on final June 2018 Fund Equity report; FY19 enrollment as of July 2018; reflects ESI FY17 Q4 restated claims; numbers in table may not add up due to rounding

<sup>1</sup> Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection); assumes no additional program changes in FY20 and beyond

<sup>2</sup> Includes State and employee/pensioner premium contributions; assumes no increase to premium rates 7/1/2018 and beyond; 2% annual enrollment growth for FY20 – FY23; FY17 and FY18 actual premiums include 5% risk fee surcharge for participating non-State groups but not reflected in FY19 through FY23 premium totals

<sup>3</sup> Includes Rx rebates, EGWP payments, other revenues; FY17/FY18 Actuals and FY19 Projected include participating group fees; assumed to increase proportionally with membership growth and health care trend

<sup>4</sup> 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

<sup>5</sup> FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

<sup>6</sup> FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives; assumes no additional program changes in FY20 and beyond; assumes 2% annual growth in GHIP membership)

# GHIP long term health care cost projections

Illustrative: Increase premium rates by 2% annually starting in FY20<sup>1</sup>

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected <sup>6</sup>	FY20 Projected <sup>7</sup>	FY21 Projected <sup>7</sup>	FY22 Projected <sup>7</sup>	FY23 Projected <sup>7</sup>
Average Enrolled Members	123,132	125,488	127,350	129,897	132,495	135,145	137,848
<b>GHIP Revenue</b>							
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$799.0	\$810.9	\$817.1	\$833.4	\$850.1	\$867.1	\$884.4
<i>2.0% Annual Premium Increase Starting FY20</i>	-	-	-	\$16.7	\$34.1	\$52.9	\$72.8
Other Revenues <sup>3</sup>	\$81.6	\$92.1	\$91.7	\$98.0	\$105.0	\$112.5	\$120.5
<b>Total Operating Revenues</b>	<b>\$880.6</b>	<b>\$903.0</b>	<b>\$908.8</b>	<b>\$948.1</b>	<b>\$989.2</b>	<b>\$1,032.5</b>	<b>\$1,077.7</b>
<b>GHIP Expenses (Claims/Fees)</b>							
Operating Expenses (No Change)	\$816.8	\$853.9	\$932.1	\$999.7	\$1,070.7	\$1,146.7	\$1,228.1
% Change Per Member		2.6%	7.6%	5.0%	5.0%	5.0%	5.0%
Excise Tax Liability <sup>4</sup>						\$9.1	\$16.3
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$63.8</b>	<b>\$49.1</b>	<b>(\$23.3)</b>	<b>(\$51.6)</b>	<b>(\$81.5)</b>	<b>(\$123.3)</b>	<b>(\$166.7)</b>
Balance Forward	\$38.9	\$102.7	\$151.8	\$128.5	\$76.9	(\$4.6)	(\$127.9)
Ending Balance	\$102.7	\$151.8	\$128.5	\$76.9	(\$4.6)	(\$127.9)	(\$294.6)
- Less Claims Liability <sup>5</sup>	\$54.0	\$58.9	\$61.3	\$65.7	\$70.4	\$75.4	\$80.8
- Less Minimum Reserve <sup>5</sup>	\$24.0	\$24.0	\$24.3	\$26.1	\$28.0	\$30.0	\$32.1
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$24.7</b>	<b>\$68.9</b>	<b>\$42.9</b>	<b>(\$14.9)</b>	<b>(\$103.0)</b>	<b>(\$233.3)</b>	<b>(\$407.5)</b>

Note: FY17 Actual based on final June 2017 Fund Equity report; FY18 Actual based on final June 2018 Fund Equity report; FY19 enrollment as of July 2018; reflects ESI FY17 Q4 restated claims; numbers in table may not add up due to rounding

<sup>1</sup> Reflects 2% annual increase in premiums and 2% annual membership growth assumption effective 7/1/2019

<sup>2</sup> Includes State and employee/pensioner premium contributions; assumes no increase to premium rates 7/1/2018 and beyond; 2% annual enrollment growth for FY20 – FY23; FY17 and FY18 actual premiums include 5% risk fee surcharge for participating non-State groups but not reflected in FY19 through FY23 premium totals

<sup>3</sup> Includes Rx rebates, EGWP payments, other revenues; FY17/FY18 Actuals and FY19 Projected include participating group fees; assumed to increase proportionally with membership growth and health care trend

<sup>4</sup> 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

<sup>5</sup> FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

<sup>6</sup> FY19 projected other revenues and operating expenses based on claims experience through June 2018; reflects approved design changes for site-of-care steerage for imaging/outpatient lab and COE services, proposed design changes for \$0 statin coverage, and preventive 3D mammography effective 7/1/2018; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection)

<sup>7</sup> FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives; assumes no additional program changes in FY20)

# Illustrative efficiency opportunities for GHIP

## Short-term and long-term

*Outlined below are opportunities for offsetting the projected FY20+ deficit*

### **Short-term action for FY20 (with estimated savings)**

***Deadline for SEBC approval to ensure readiness by 7/1/19: February 11, 2019***

- Health management – point solutions to address specific health needs (e.g., diabetes): \$0.5m++
- Site-of-care steerage – copay changes for preferred/non-preferred sites of care: \$1.0m - \$2.0m
- Centers of Excellence – review plan design alternatives and incentives: \$0.5m - \$5.0m
- Plan design changes – add/increase deductibles, add coinsurance: \$6.0m - \$7.0m
- Premium rate increases: \$10.0m++

### **Longer-term action for FY20+**

- Active benefits enrollment
- Cost transparency tools
- Engagement – incentives for participation in wellness activities
- Network strategy/modifications (value-based care, narrow network creation, direct contracting)
- Plan structure and modifications (i.e., HSA)
- Onsite/near-site health centers